



April 2, 2015

Marlene Dortch
Secretary
Federal Communications Commission
445 12TH Street, SW
Washington, DC 20554

Re: WC Docket 11-42
Lifeline Biennial Audit of Puerto Rico Telephone Company, Inc.
Independent Accountants' Report on Applying Agreed-Upon Procedures
Year Ended December 31, 2013

Dear Ms. Dortch:

Pursuant to the Commission's April 2, 2014 *Public Notice* in the above-referenced docket and as required by the Biennial Audit Plan of the Universal Service Fund - Lifeline Program, Puerto Rico Telephone Company, Inc. submit herewith its final Attestation Report for the year ended December 31, 2013.

Please contact us if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Carlos D. Ruiz Mantilla", written over a circular stamp or seal.

Carlos D. Ruiz Mantilla
Regulatory Compliance Manager

Attachment

c: Charles Tyler, Telecommunications Access Policy Division (via e-mail)
Thomas Buckley, Office of the Managing Director (via e-mail)
Karen Majcher, USAC High Cost & Low Income Division (via e-mail)
Telecommunications Regulatory Board of Puerto Rico



RSM ROC & Company

Certified Public Accountants & Consultants

Puerto Rico Telephone Company, Inc.

Agreed-Upon Procedures Report in Accordance with Attestation Standards
Established by the Generally Accepted Government Auditing Standards Issued by
the Government Accountability Office.
December 31, 2013





RSM ROC & Company
Certified Public Accountants & Consultants

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To: The Managements of Puerto Rico Telephone Company, Inc. (PRTC, Claro Puerto Rico or Carrier), the Universal Service Administrative Company (USAC), and the Federal Communications Commission (FCC or Commission):

We have performed the procedures enumerated in Attachment A, which were agreed to by the FCC's Wireline Competition Bureau (Bureau) and Office of Managing Director (OMD) in the Lifeline Biennial Audit Plan, or as otherwise directed by the Bureau, solely to assist you in evaluating Claro Puerto Rico's compliance with certain regulations and orders governing the Low Income Support Mechanism (also known as the Lifeline Program) of the Universal Service Fund, set forth in 47 C.F.R. Part 54, as well as other program requirements, including any state-mandated Lifeline requirements (collectively, the Rules) detailed in the Lifeline Biennial Audit Plan for the calendar year ended December 31, 2013. Claro Puerto Rico's management is responsible for compliance with the Rules. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office. The sufficiency of these procedures is solely the responsibility of the Bureau and OMD. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose.

Specific procedures and related results are enumerated in Attachment A to this report. In compliance with the Lifeline Biennial Audit Plan, this report does not contain any personally identifiable information or individually identifiable customer proprietary network information.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on Claro Puerto Rico's compliance with the Rules. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use for the managements of Claro Puerto Rico, USAC, and the FCC, and is not intended to be and should not be used by anyone other than these specified parties. This report becomes a matter of the public record upon filing of the final report with the FCC. The final report is not confidential.

San Juan, Puerto Rico
March 31, 2015.

Stamp No. E155818 was affixed to
the original of this report.

Attachment A enumerates the agreed-upon procedures for Claro Puerto Rico, the associated results, and any management responses obtained in relation to the exceptions identified.

Objective 1: Carrier Obligation to Offer Lifeline

Procedure 1

RSM ROC & Company inquired of management and obtained the carrier's policies and procedures in response to Item 4 of Appendix A of the Lifeline Biennial Audit Plan for offering Lifeline service to qualifying low-income consumers (Appendix A).

RSM ROC & Company examined the carrier's policies and procedures and compared those policies and procedures, as well as management's responses to the inquiries, to the Commission's Lifeline rules set forth in Appendix F of the Lifeline Biennial Audit Plan.

RSM ROC & Company noted no discrepancies between the carrier's policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules.

Finding

No exceptions noted.

Procedure 2

RSM ROC & Company inspected 10 examples of carrier marketing materials describing the Lifeline service (i.e., print, audio, video and web materials used to describe or enroll in the Lifeline service offering, including standard scripts used when enrolling new subscribers, application and certification forms), as provided in response to Items 4, 6 and 7 of Appendix A of the Lifeline Biennial Audit Plan.

Finding

RSM ROC & Company noted the inspected marketing materials contained the required information, with the exception of the following:

- The marketing materials omitted the disclosure related that the service is non-transferable, as required by 47 C.F.R. section 54.405 (c)(d).

There is no monetary effect associated with this finding.

Beneficiary Response

The auditors requested evidence of advertising materials published during 2013 related to the Lifeline Program which did not include the disclosure that the service is non-transferable. However, we provided evidence that since 2014, all promotional material used in the written press includes the required language requested by USAC.

Procedure 3

RSM ROC & Company randomly selected 10 recorded calls out of the 50 recorded calls provided, servicing the Claro Puerto Rico's Lifeline subscribers, as provided in response to Item 8 of Appendix A of the Lifeline Biennial Audit Plan.

RSM ROC & Company noted the selected recorded calls contained the required information of item 8.

Finding

No exceptions noted.

Procedure 4

RSM ROC & Company inspected applicable policies and procedures regarding de-enrollment from the program, including when the Claro Puerto Rico will de-enroll subscribers based on lack of eligibility, duplicative support, non-usage, and failure to recertify under 47 C.F.R. §54.409, as provided in response to Item 4 of Appendix A.

RSM ROC & Company examined the carrier's policies and procedures, and compared those policies and procedures, as well as management's responses to the inquiries to the Commission's Lifeline rules set forth in the Appendix A.

RSM ROC & Company noted no discrepancies between the carrier's policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules.

Finding

No exceptions noted.

Objective 2: Consumer Qualification for Lifeline

Procedure 1

RSM ROC & Company inquired of management and obtained the carrier's policies and procedures in response to Item 4 of Appendix A of the Lifeline Biennial Audit Plan for limiting Lifeline support to a single subscription per household, as provided by the carrier in response to Item 4 of Appendix A of the Lifeline Biennial Audit Plan.

RSM ROC & Company examined the carrier's policies and procedures, and compared those policies and procedures, as well as management's responses to the inquiries, to the Commission's Lifeline rules set forth in Appendix F of the Lifeline Biennial Audit Plan.

RSM ROC & Company noted no discrepancies between the carrier's policies and procedures, management's responses to the inquiries, and the Commission's Lifeline rules.

Finding

No exceptions noted.

Procedure 2

RSM ROC & Company reviewed the procedures the carrier has in place to ensure it has accurately completed FCC Form 497.

RSM ROC & Company noted no discrepancies between the carrier's policies and procedures, responsible personnel's responses to the inquiries, and the Commission's Lifeline rules.

Finding

No exceptions noted.

Procedure 3

RSM ROC & Company obtained the subscriber list in response to Item 1 of Appendix A of the Lifeline Biennial Audit Plan and obtained the carrier's FCC Forms 497 for each study area for the selected month.

RSM ROC & Company examined the number of subscribers claimed on Forms 497 and compared the numbers of subscribers reported on the Forms 497 to the number of subscribers contained on the subscriber list for each study area.

RSM ROC & Company noted no discrepancies between the FCC Form 497 and the subscriber list for each study area.

Finding

No exceptions noted.

Procedure 4

RSM ROC & Company used computer-assisted audit techniques to examine the Subscriber List and searched for duplicate addresses with different subscribers.

RSM ROC & Company created a list reflecting these results.

Finding

Not applicable.

Procedure 5

RSM ROC & Company randomly selected up to 30 subscribers from the list completed in procedure 4 and requested copies from Claro Puerto Rico of the one-per-household certification form for each of the selected subscribers.

RSM ROC & Company verified that the selected subscribers certified to only receiving one Lifeline-supported service in his/her household using the one-per household worksheet.

Finding

RSM ROC & Company noted in certain instances that the forms used by Claro Puerto Rico did not contain a checkbox or a section to indicate that the applicant's address is occupied by multiple households receiving benefits from the Lifeline program.

Beneficiary Response

Attached is the one-per-household worksheet that is required only when the customer checks if more than one household resides at the same address. If two or more customers have the same address, the current process established is that PRTC send a letter to the customer to inform that he did not qualify until the prospective beneficiary complete a validation process with the Local Board because the address that the person provides, is an address that has another beneficiary of Lifeline.

RSM ROC & Company Response

Although Claro Puerto Rico is attaching a one-per-household worksheet as a response, the same was not used for the sample tested. The subscriber certification or recertification was provided in lieu of a one-per-household worksheet in and the same did not contain all the elements requirement per the Lifeline Reform Order 78.

Objective 3: Subscriber Eligibility Determination and Certification

Procedure 1

RSM ROC & Company inquired the management and obtained carrier policies and procedures for ensuring that its Lifeline subscribers are eligible to receive Lifeline services as provided by the carrier in response to item 4 of Appendix A of the Lifeline Biennial Audit Plan.

- RSM ROC & Company inspected the Claro Puerto Rico's policies and ascertained it includes a policy that the ETC does not retain copies of subscribers' proof of income-or program based eligibility.
- RSM ROC & Company inspected the Claro Puerto Rico's policies and ascertained it includes a policy or procedure that Claro Puerto Rico must fully verify the eligibility of each low-income consumer prior to providing Lifeline service to that consumer, and that Claro Puerto Rico, or its agents, may not provide the consumer with an activated device intended to enable access to Lifeline service until that consumer's eligibility is fully verified and all other necessary enrollment steps have been completed.

RSM ROC & Company examined the policies and procedure and compared management responses and carrier policies and procedures with the Commission's Lifeline rules set forth in sections 54.410 of Appendix F of the Lifeline Biennial Audit Plan for offering Lifeline service to qualifying low-income consumers.

Finding

RSM ROC & Company noted that Claro Puerto Rico's policies and procedures did not contain an element establishing that telecommunication carrier must not retain copies of the documentation of a prospective subscriber's income-based eligibility for Lifeline, as required by 47 C.F.R. § 54.410.

Beneficiary Response

PRTC subsequently implemented policies and procedures to ensure the compliance of this rule. However, we were in compliance with the Telecommunications Regulatory Board of Puerto Rico rule that indicates that the carrier must retain all documentation demonstrating evidence of eligibility for Lifeline customers for 6 years. (Reglamento de Servicio Universal, page 21, 14.3 [f]).

RSM ROC & Company Response

Although Claro Puerto Rico has subsequently implemented policies and procedures regarding this element, the same needs to be documented in writing as part of such policies.

Procedure 2

RSM ROC & Company examined Claro Puerto Rico's policies and procedures for training employees and agents to ensure that Claro Puerto Rico's Lifeline subscribers are eligible to receive Lifeline services, including any policies regarding how Claro Puerto Rico ensures employees and agents have completed the training.

Finding

No exceptions noted.

Procedure 3

RSM ROC & Company randomly selected 100 subscribers from the Subscriber List and for the first 50 of the sampled subscribers, RSM ROC & Company performed the test described below for each of the subscriber's certification and recertification forms. After performing the tests described below for the first 50 sampled subscribers, the error rate was higher than 5 percent; therefore, RSM ROC & Company applied the same procedure to the remaining 50 subscribers in the sample and recorded the results.

- RSM ROC & Company examined the subscriber certification and recertification forms to verify the forms contain the following information:
 - i. Lifeline is a federal benefit and that willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program;
 - ii. Only one Lifeline service is available per household;
 - iii. A household is defined, for purposes of the Lifeline program, as any individual or group of individuals who live together at the same address and share income and expenses;
 - iv. A household is not permitted to receive Lifeline benefits from multiple providers;
 - v. Violation of the one-per-household limitation constitutes a violation of the Commission's rules and will result in the subscriber's de-enrollment from the program;
 - vi. Lifeline is a non-transferable benefit and the subscriber may not transfer his or her benefit to any other person;

vii. Require each prospective subscriber to provide the following information:

1. The subscriber first name
2. The subscriber's full residential address
3. Whether the subscriber's residential address is permanent or temporary
4. The subscriber's billing address, if different from the subscriber's residential address
5. The subscriber's date of birth
6. The last four digits of the subscriber's social security number, or the subscriber's Tribal identification number, if the subscriber is a member of a Tribal nation and does not have a social security number;
7. If the subscriber is seeking to qualify for Lifeline under the program based criteria, as set forth in § 54.409, the name of the qualifying assistance program from which the subscriber, his or her dependents, or his or her household receives benefits; and
8. If the subscriber is seeking to qualify for Lifeline under the income based criterion, as set forth in § 54.409, the number of individuals in his or her household require each prospective subscriber to certify, under penalty of perjury, that

viii. Require each prospective subscriber to certify, under penalty of perjury, that

1. The subscriber meets the income-based or program-based eligibility criteria for receiving Lifeline, provided in § 54.409
2. The subscriber will notify Claro Puerto Rico within 30 days if for any reason he/she no longer satisfies the criteria for receiving Lifeline including, as relevant, if the subscriber no longer meets the income-based or program based criteria for receiving Lifeline service, the subscriber is receiving more than one Lifeline benefit, or another member of the subscriber's household is receiving a Lifeline benefit
3. If the subscriber is seeking to qualify for Lifeline as an eligible resident of Tribal lands, he/she lives on Tribal lands, as defined in 54.400(e);
4. If the subscriber moves to a new address, he/she will provide that new address to Claro Puerto Rico within 30 days
5. The subscriber's household will receive only one Lifeline service and, to the best of his or her knowledge, the subscriber's household is not already receiving a Lifeline service;
6. The information contained in the subscriber's certification form is true and correct to the best of his or her knowledge;
7. The subscriber acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law; and
8. The subscriber acknowledges that the subscriber may be required to recertify his or her continued eligibility for Lifeline at any time, and the subscriber's failure to re-certify as to his or her continued eligibility will result in de-enrollment and the termination of the subscriber's Lifeline benefits pursuant to § 54.405(e)(4),

- ix. Compare the Claro Puerto Rico's subscriber eligibility criteria on the certification and recertification forms to the federal eligibility criteria listed in per 47 C.F.R. §54.409. Note any discrepancies. Note: Claro Puerto Rico may list the eligibility criteria in its entirety or may allow the subscriber to note only his/her qualifying criterion on the form

- x. Verify the subscriber completed all the required elements as identified in Objective III – 3 a. above, including signature and initialing/checkbox requirements contained in the certification and recertification forms
 - xi. Examine the subscriber's initial certification form to verify the initial certification form is dated prior to or on the same day as the Lifeline start date per the Subscriber List. This procedure would not apply to subscribers enrolled prior to June 2012.
 - xii. If applicable, verify subscribers who received Tribal Lifeline support certified to residing on Tribal lands.
- RSM ROC & Company reviewed the list of the data source or documentation that Claro Puerto Rico reviewed to confirm the subscriber's eligibility.
 - RSM ROC & Company verified the recorded data sources are eligible data sources per 47 C.F.R. § 54.410, such as: (1) income or program eligibility databases, (2) income or program eligibility documentation, or (3) confirmation from a state administrator.

Finding

RSM ROC & Company noted the examined subscriber certification and recertification forms contained the required information, with the exception of the following:

- The subscriber certification and/or recertification forms did not contain all the elements required per 47 C.F.R. § 54.410.
- The subscriber did not complete all required elements on the certification or recertification form.
- Claro Puerto Rico retains copies of subscribers' proof of income or program-based eligibility.
- The subscriber file has missing detailing data source form for Claro Puerto Rico's determine a subscriber's program-based eligibility.
- Claro Puerto Rico did not complete all required information on the certification eligibility form.

Beneficiary Response

- All disclosures are in the current subscriber and recertification forms. The cases identified in the audit that were not in compliance with the disclosures, correspond to subscribers that have a previous form when the customer begins its benefit.
- All subscribers should complete all the worksheets.
- PRTC subsequently implemented policies and procedures to ensure the compliance of this rule through the implementation of a subscriber's Checklist. We were retaining such information to be in compliance with the Telecommunications Regulatory Board of Puerto Rico rules that indicates that the carrier must retain all documentation demonstrating evidence of eligibility for Lifeline customers for 6 years. (Reglamento de Servicio Universal, page 21, 14.3 (f) implement the subscriber's Checklist.

RSM ROC & Company Response

We concurred with Claro Puerto Rico's response and noted that policies and procedures were implemented subsequent to the audit period.

Objective 4: Annual Certifications and Recordkeeping by Eligible Telecommunications Carriers

Procedure 1

RSM ROC & Company inquired to management and obtained carrier policies and procedures for ensuring that the carrier has made and submitted the annual certifications required under sections 54.416 and 54.422 of the Commission's rules.

Finding

No exceptions noted.

Procedure 2

RSM ROC & Company examined Claro's Puerto Rico's FCC Form 555 that was filed in January 2014. RSM ROC & Company verified that an officer of Claro Puerto Rico certified that he/she understands the Commission's Lifeline rules and requirements and that the carrier. We also verified that the carrier made all of the following certifications:

- Has policies and procedures in place to ensure that its Lifeline subscribers are eligible to receive Lifeline services;
- Is in compliance with all federal Lifeline certification procedures; and
- In instances where an Claro Puerto Rico confirms consumer eligibility by relying on income or eligibility databases, as defined in 47 C.F.R. §54.410(b)(1)(i)(A) or (c)(1)(i)(A), the representative must attest annually as to what specific data sources the Claro Puerto Rico used to confirm eligibility.

Finding

No exceptions noted.

Procedure 3

RSM ROC & Company examined Claro Puerto Rico's organizational chart provided in response to Item 5 of Appendix A and verified that the certifying officer on the FCC Form 555 is an officer per the organizational chart or other publicly available documents.

Finding

No exceptions noted.

Procedure 4

RSM ROC & Company verified if the subscriber count per the FCC Form 555 agrees with the total subscriber count per the February Form 497.

Finding

RSM ROC & Company noted the subscriber counts reported on FCC Forms 555, Column A, for each study area code did not agree to the subscriber counts reported on the Forms 497 filed on February 2014.

Beneficiary Response

PRTC subsequently implemented adequate policies and procedures to verify that the correct number of subscribers are reported on Forms 555 and maintain documentation to demonstrate compliance with the Rules.

Procedure 5

For the month of February 2013, RSM ROC & Company selected the only territory where Claro Puerto Rico received an amount of Lifeline support and is responsible for the annual recertification process. RSM ROC & Company reviewed Claro Puerto Rico's recertification results of the individual subscribers reported on the FCC Form 555 filed January 2014. RSM ROC & Company verified that the data reported on the FCC Form 555 for that territory agreed with the detailed recertification results.

Finding

RSM ROC & Company noted discrepancies between the subscriber count reported on Form 555 and the counts reflected on the recertification results provided by Claro Puerto Rico.

Beneficiary Response

PRTC subsequently implemented adequate policies and procedures to verify that the correct number of subscribers are reported on the Form 555 and maintain documentation to demonstrate compliance with the Rules.

Procedure 6

RSM ROC & Company examined the Form 555 for the only territory where Claro Puerto Rico received Lifeline support. RSM ROC & Company noted that non-usage rules applies for one study area code; however, there were no subscribers de-enrolled for non-usage for the year under audit.

Finding

Not applicable.

Procedure 7

RSM ROC & Company reviewed Claro Puerto Rico's annual Claro Puerto Rico certification. Verified that Claro Puerto Rico reported all the information and made all the certifications required by 47 C.F.R. §54.422(a) (b).

RSM ROC & Company reviewed FCC Form 481 for each study area code and Claro Puerto Rico reported all the information and made all the certifications required by 47 C.F.R. §54.422(a)(b).

Finding

No exceptions noted.

Procedure 8

RSM ROC & Company reviewed supporting schedules related to Claro Puerto Rico's annual Claro Puerto Rico certification and verified that the data reported on the annual Claro Puerto Rico certification agrees with the supporting schedules.

Finding

No exceptions noted.

Procedure 9

RSM ROC & Company inquired of management and obtained carrier policies and procedures for maintaining records that document compliance with the Lifeline program rules. Examined the policies and procedures. Compared the management responses and carrier policies with recordkeeping rules set forth in 47 C.F.R. § 54.417.

RSM ROC & Company noted that Claro Puerto Rico's policy of 6 years for recordkeeping follows the Commission's rule of 3 years. As per representation of management, the records are maintained for a period 6 years due to the rules of the States regulator.

Finding

No exceptions noted.